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FM AMEMBASSY GUATEMALA
TO RUEHC/SECSTATE WASHDC PRIORITY 5587
INFO RUEHGT/CENTRAL AMERICAN CARIBBEAN BASIN COLLECTIV PRIORITY
RUEHCV/AMEMBASSY CARACAS PRIORITY 0629
RUEHME/AMEMBASSY MEXICO PRIORITY 4877

C O N F I D E N T I A L GUATEMALA 000783

SIPDIS

STATE FOR NSC FOR DAN FISK

E.O. 12958: DECL: 06/23/2018
TAGS: [ENRG](#) [ECON](#) [PREL](#) [PGOV](#) [GT](#)
SUBJECT: GUATEMALA CLOSE TO SIGNING ON TO PETROCARIBE

REF: A) GUATEMALA 178 B) GUATEMALA 600 C) GUATEMALA 775

Classified By: AMBASSADOR JAMES DERHAM FOR REASON 1.4 (b & d)

¶1. Minister of Mines and Energy, Carlos Meany, met with Ambassador on June 20 and discussed in some detail status of negotiation with Venezuela on a Petrocaribe agreement. Bottom line is that both sides are very close to a final agreement. Meany anticipated that President is likely to sign a Petrocaribe agreement in Caracas in mid-July.

¶2. Meany explained that the negotiations with Venezuela had been on and off again since the Colom government took office in January. When President Colom returned from Washington after meeting with President Bush in Washington in late April, he instructed Meany to back off negotiations with Venezuela. However, the various transportation crisis in May (reftel C), episodic shortages of diesel fuel (according to Meany Guatemelans almost ran out of diesel several weeks ago), and increasing energy prices brought Guatemala back to the negotiating table.

¶3. According to Meany the remaining question to be settled was the quantity of petroleum products to be delivered. Venezuela had offered 10,000 barrels per day, Guatemala had requested 30,000. The question would be settled in direct discussions between Colom and Chavez. Meany was hopeful the Venezuelans would agree to 20-25,000 barrels per day. Best for Guatemala would be all diesel but depending on market conditions some might be bunker. Meany noted that 30,000 barrels of diesel per day would supply 75-80% of Guatemala's diesel consumption.

¶4. Meany noted that the advantages for Guatemala would be a diesel price slightly below what Guatemala was currently paying (Guatemala apparently pays a small premium for diesel), better freight terms (the Petrocaribe price would be c.i.f) and more transparent margins (since the government would know the cost of the imported diesel).

¶5. The GOG would create a state company to take possession of the product and then distribute it to the half dozen major distributors according to their market shares. Meany said the GOG has kept the companies apprised of the negotiations. The savings would be realized either by channeling 50% of price financed long term at 1% into a trust fund (fideicomiso) thus including gains through interest rate arbitrage or going into debt - 2 year grace, 25 year term at 1% and using the 50% for government expenditures. The latter option would invoke going to Congress to get approval for taking on the debt.

¶6. Ambassador commented that we appreciated the pressures the GOG was under in the current energy market but that the decision to sign a Petrocaribe agreement would be an unpleasant surprise to Washington. Ambassador urged that

agreement be made as strictly commercial as possible and that GOG resist any shifts in foreign policy to be more accommodating politically to Venezuela as a result of this Petrocaribe deal.

Derham